Sculpting Progress

Annual Report 2011

MISSOURI CONSOLIDATED HEALTH CARE PLAN

A Component Unit of the State of Missouri
2011 Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011

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***Sculpting** Progress*

Report prepared by Fiscal Affairs Department

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2011 Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011

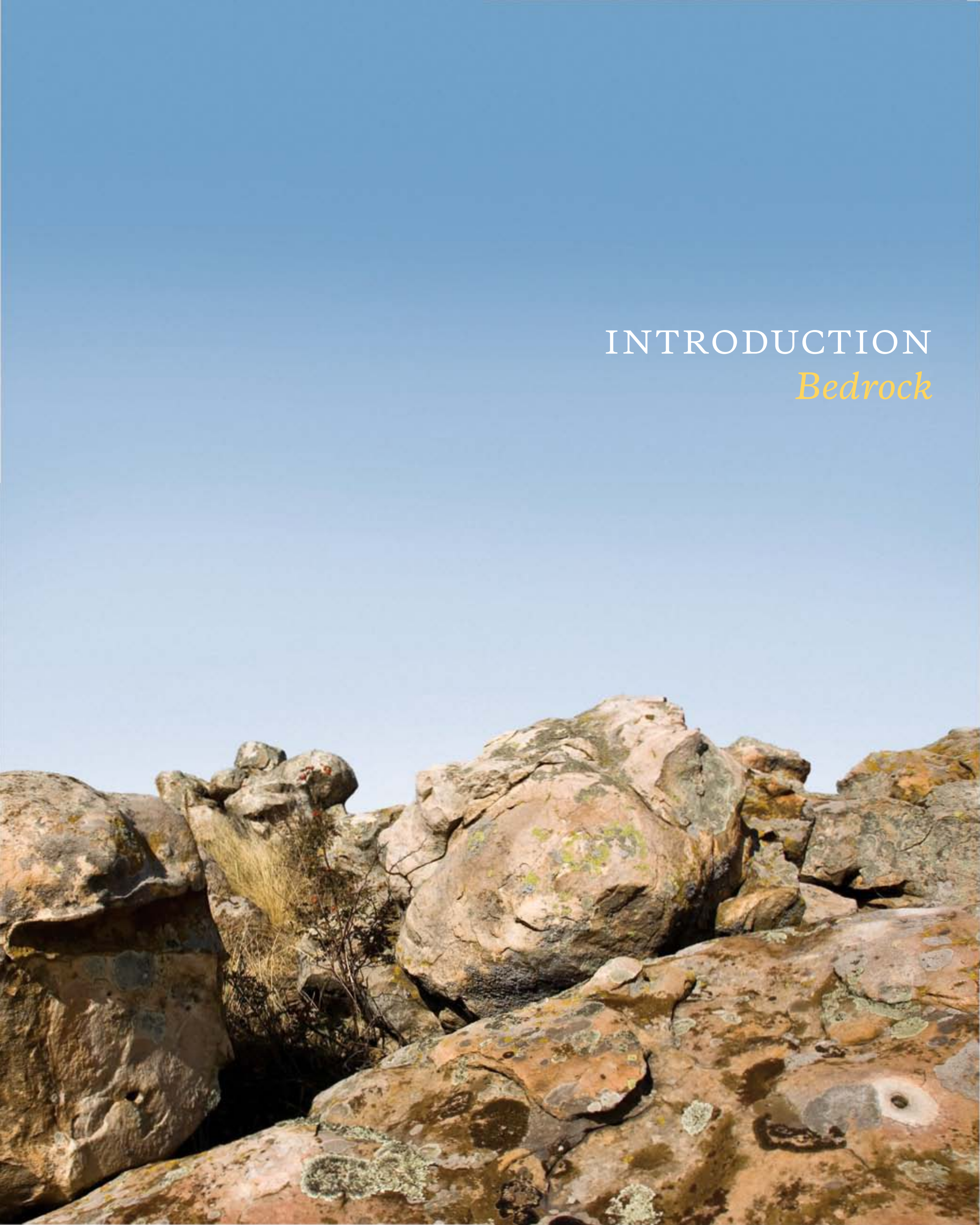
M·C·H·C·P

MISSOURI CONSOLIDATED HEALTH CARE PLAN

832 Weathered Rock Court
PO Box 104355
Jefferson City, MO 65110

800-701-8881
www.mchcp.org

INTRODUCTION
Bedrock



Letter from the Interim Executive Director

It is with great pleasure that I submit the annual report of the Missouri Consolidated Health Care Plan (MCHCP) for the period ended June 30, 2011. MCHCP is a component unit of the State of Missouri for financial reporting purposes and as such, the financial reports are also included in the State of Missouri Comprehensive Annual Financial Report. The financial information presented in this report is the responsibility of management of MCHCP, and sufficient internal accounting controls exist to provide a reasonable assurance regarding safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. Systems and procedures are evaluated, in conjunction with the Board of Trustees, MCHCP management and Internal Audit, to provide assurances that internal controls exist and are functioning to promote objectives while minimizing risk. The report is also designed to comply with the provisions of Section 103.025 of the Revised Statutes of Missouri (RSMo), as amended.

MCHCP has not been exempt from the economic challenges facing both our nation and our great State of Missouri. Since accepting the position as the Interim Executive Director and maintaining my duties as the Chief Operating Officer since May 2011, I have continued to focus on how MCHCP delivers comprehensive and affordable coverage to the nearly 100,000 members we serve in our State and public entity plans. During the most recent fiscal year ended June 30, 2011, the State of Missouri contributed over $407 million or approximately 72 percent of revenues to the plan in the form of employer-sponsored contributions. Member contributions for our State members and retirees totaled over $134 million, while revenues for our public entity enrollment exceeded $9 million, for the period ended June 30, 2011. Additional financial information can be found in the management discussion and analysis and financial statements included in this report.

Wellness and adoption of healthy lifestyles provide the foundation to help achieve the goals of improving the health and well-being of the populations we serve, while paralleling efforts to reduce increasing health care costs. For the 2011 plan year, incentives for *Lifestyle Ladder*, our employer-sponsored wellness program, increased from $15 to $25 per month for subscriber or spouse participation and from $30 to $50 per month for subscriber and spouse participation. Additionally, beginning in 2011, MCHCP partnered with state agencies to empower the state work force toward achieving and maintaining healthy goals and objectives. Agency ambassadors, in conjunction with MCHCP personnel, spearhead efforts in their departments to promote statewide initiatives in smoking cessation, weight management, and other targeted outcomes. As these programs require multi-year evaluations in populations and claims experience, as well as to evolve to a culture of engagement and adherence, we look forward to developing and evaluating the possibilities these programs provide in promoting health and achieving cost containment.

Increases in technology and the prevalence of social media continue to permeate the MCHCP communications environment and "how we speak to you." Beginning in 2011, MCHCP redesigned our website to provide an enhanced user experience and featured new online capabilities for uploading documents through the use of myMCHCP, the secure member-only area of our website. MCHCP members can now, through the use of myAccount, securely add information such as a dependent's Social Security number or enroll a newborn. Some of our vendors have also launched mobile applications and cell-phone friendly websites to offer additional ways to access information. We believe these functions help enhance and secure the user experience for our members by continuing to invite cost-effective means of communicating with our membership. During our most recent Open Enrollment period, MCHCP experienced over 41,000 hits to our enrollment information and over 82 percent of enrollments were completed online. These opportunities assisted in reducing our internal MCHCP personal service and administration cost by over 6 percent.

For the sixteenth year in a row, MCHCP is pleased to receive the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for the year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to qualify, a government unit must publish a report conforming to all GFOA standards. The Certificate of Achievement is valid for a period of one year only. The MCHCP will continue to strive for such recognition with its submission of our current report for consideration to GFOA.

The report is a product of the combined efforts of the MCHCP staff and the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, for determining compliance with legal provisions and for evaluating the condition of the fund. MCHCP has received an unqualified opinion from our independent auditors whose report can be found on Page 20.

This report is provided to the Governor, the State Auditor, members of the General Assembly, all state agencies, and all participating public entities and is viewable at www.mchcp.org. The cooperation and support of these individuals and agencies help contribute to our success. Also, for the Board of Trustees, I extend my gratitude to the staff. They truly represent the lifeblood of the organization. As we look toward "Sculpting Progress" as the theme of this report promotes, I welcome your suggestions for the continued success and improvements of your health plan, MCHCP.

Sincerely,

Judith Muck
Interim Executive Director
December 6, 2011

Professional Services

Account Managers
Central Bank – Dave Meyer, C.P.A.
Coventry Health Care of Kansas/Mercy Health Plans – Kathy Rapp
Delta Dental – Lynn Pyle
Express Scripts, Inc. – Christine Barnard
StayWell Health Management – Robin Kish
Thomson Reuters Healthcare Inc. – Tom Weatherup
Towers Watson – Steve Korbecki
UMR – Becky Nielsen
Williams Keepers, LLC – Heidi Chick, C.P.A.
Vision Service Plan – Kevin Harbart

Auditors
Williams Keepers, LLC

Banking
Central Trust Bank

Consulting
Towers Watson

Copay Plan
UMR
Coventry Health Care/Mercy Health Plans

Decision Support System
Thomson Reuters Healthcare Inc.

Dental Program
Delta Dental

Disease Management Program
UMR
Coventry Health Care/Mercy Health Plans
CareAllies

Employee Assistance Program
Magellan Health Services

Health Maintenance Organization (HMO)
Coventry Health Care of Kansas
Mercy Health Plans

Health Savings Account (HSA)
Central Bank

High Deductible Health Plan (HDHP)
UMR
United Healthcare

Medicare Supplement Plan
UMR

Pharmacy Benefit Manager
Express Scripts, Inc.

Preferred Provider Organization (PPO)
UMR
Coventry Health Care/Mercy Health Plans

Vision Program
Vision Service Plan

Wellness Program
StayWell Health Management
Gordian Health Solutions, Inc.

Executive Team

INTERIM EXECUTIVE DIRECTOR / CHIEF OPERATIONS OFFICER
Judith Muck

By statute, the Executive Director has charge of the offices, records and employees of the plan, subject to the direction of the board.

The Chief Operations Officer is responsible for daily management of the plan including customer service, communications, member records, quality, research and information technology services sections.

GENERAL COUNSEL
June Striegel Doughty

Represents and advises the Board of Trustees and MCHCP, serves as the plan's Privacy Officer and is responsible for internal audit and compliance sections.

CHIEF FISCAL OFFICER
Stacia Fischer

Responsible for financial statements and records of the plan, budget, purchasing, banking services, human resources and financial interfaces with outside entities.

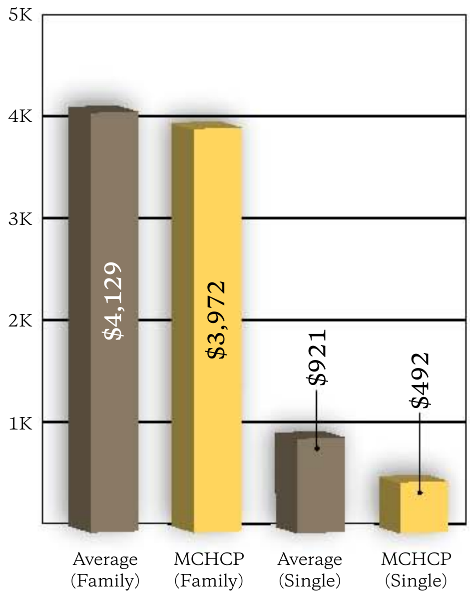
Letter from the Chairman

I am pleased to present to you, on behalf of the Board of Trustees, the Comprehensive Annual Financial Report for the Missouri Consolidated Health Care Plan (MCHCP) for the period ended June 30, 2011.

"At every stage of life, preventive health services hold the promise of improving American lives; making them longer, healthier, and more productive"[1]. Statements such as these embody the Board of Trustees' continued efforts to promote an employer-sponsored wellness program. During 2011, we bolstered our communications and increased our financial incentives to evoke increased participation in our employer-sponsored wellness program. We believe these efforts were rewarded with our highest percentage of wellness participation in MCHCP's history with more than 26,000 participants, representing an increase of 13 percent over 2010 participation. We don't plan to rest on our laurels, but rather implement new programs to further inspire our members to join with their colleagues and co-workers to foster healthy workplaces. Evidence suggests that promoting a culture of health coupled with work force engagement can have a positive impact on plan costs while increasing the health of a population. We applaud the efforts of our membership and encourage them to continue to pursue avenues for healthy living.

Comprehensive and affordable health care remains important in the mission of the Board of Trustees and critical in the lives of MCHCP members. For the fiscal year ended June 30, 2011, the State of Missouri, the employer, remains the largest single source of revenue to the plan allowing for plan selections that pay over 86 percent of a member's total health care expenses excluding premium contributions. This maintenance of effort assists in creating employee premiums for our membership that are lower than national averages. According to the Kaiser Family Foundation, the average annual premium contribution paid by covered workers for single and family coverage in 2011 was $921 and $4,129, respectively[2]. In comparison, MCHCP members paid $492 and $3,972 on average for single and family coverage, respectively. As employers across the nation face continued budgetary pressures to maintain affordable coverage for their employees, we are proud of the State's commitment to sustaining employer contributions in this most challenging economic climate.

2011 Average Annual Employee Premium Contributions



Staying true to fiscal responsibility is vital to the operations of MCHCP. During the fiscal year, MCHCP's administrative expenses, including third-party claims administration fees, were reduced by more than 14 percent over fiscal year-end 2010 expenditures. Many of these savings were achieved through our continued efforts in competitive bidding and the staff's dedication to the effective and efficient utilization of available resources, including increased use of online applications and communications.

The Board was saddened to learn of the passing of Trustee Carla Owens Braziel. Carla's leadership and dedication to the Board of Trustees were vital to our success and matched only by her tireless efforts for her community. As we honor and appreciate her passion and achievements, on behalf of the Board of Trustees and staff, we extend our heartfelt sympathies to her loved ones.

We thank the staff and many others who have partnered with us this past year. We welcome your comments in shaping and improving the future of our health plan, MCHCP.

Sincerely,

John M. Huff
Chairman
Board of Trustees
December 6, 2011

[1] U.S. Department of Health and Human Services. (2001). *Healthy Workforce 2010: An Essential Health Promotion Sourcebook for Employers, Large and Small.*

[2] Kaiser Family Foundation and Health Research & Educational Trust. (2011). *Employer Health Benefits: 2011 Annual Survey.*

Board of Trustees

Carla Owens Braziel
Director of Communications and Public Affairs
Jim Casey Youth Opportunities Initiative, St. Louis

Governor Appointed Member

Committees: Executive, Legislative and Strategic Planning

Honorable Rob Schaaf
Missouri Senate, St. Joseph

Appointed by the President Pro Tem of the Senate

Kelvin L. Simmons
Commissioner
Office of Administration, Jefferson City

Ex Officio Member

Committees: Budget and Investment, Executive, Legislative and Strategic Planning

Honorable Terry Swinger
Missouri House of Representatives, Caruthersville

Appointed by the Speaker of the House of Representatives

Committees: Appeals, Personnel

Garry Taylor
Principal Owner, GETCo Consulting Service
Missouri State Retiree, Jefferson City

Governor-Appointed Member

Committees: Audit, Budget and Investment

Michael Warrick
General Counsel
Department of Agriculture, Jefferson City

Governor-Appointed Member

Committee: Personnel

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri Consolidated Health Care Plan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Summary of Plan Provisions

Purpose

Established Jan. 1, 1994, the Missouri Consolidated Health Care Plan (MCHCP) was created to provide health care benefits to most state employees, retirees and their dependents, and public entities within the state that join the plan.

Vision

To be recognized and valued by our members as their advocate in providing affordable, accessible, quality health care options.

Mission

To provide access to quality and affordable health insurance to state and local government employees.

We will accomplish this by:
- Consolidating purchasing power and administration to achieve benefits not available to individual employer members
- Creating collaborations to ensure the needs of individual members are understood and met
- Ensuring fiscal responsibility
- Developing innovative delivery options and incentives
- Identifying and contracting with high-value plans
- Maintaining a high-quality and knowledgeable work force

Administration

MCHCP administers medical, dental and vision benefits and an employee assistance program (EAP) for most members of the Missouri State Employees' Retirement System, Judicial Retirement Plan, some members of the Public School Retirement System, legislators, statewide elected officials and eligible public entity members. In addition, dental, vision and EAP benefits are available to employees and retirees of the Departments of Conservation and Transportation, and the Missouri State Highway Patrol.

The statutes provide that the administration of MCHCP be vested in a 13-member Board of Trustees. The Board is composed of:
- The Director of the Department of Health and Senior Services, serving ex officio
- The Director of the Department of Insurance, Financial Institutions and Professional Registration, serving ex officio
- The Commissioner of the state Office of Administration, serving ex officio
- Two members of the Senate, appointed by the President Pro Tem of the Senate
- Two members of the House of Representatives, appointed by the Speaker of the House of Representatives
- Six members appointed by the Governor with the advice and consent of the Senate.

- Of the six members appointed by the Governor, three shall be citizens of the state of Missouri who are not members of the plan but who are familiar with medical issues. The remaining three members of the Board shall be members of the plan

The management of MCHCP is the responsibility of the Executive Director, who is appointed by the Board of Trustees and serves at its pleasure.

The Executive Director acts as advisor to the Board on all matters pertaining to MCHCP and, with the approval of the Board, contracts for professional services and employs the staff needed to operate the organization.

Medical Plans

Preferred Provider Organizations (PPO) plans and a High Deductible Health Care Plan with Health Savings Account (HDHP with HSA) are available to all members. Preventive care, including annual physical exams, age-specific cancer screenings and immunizations, is covered at no cost to the member.

PREFERRED PROVIDER ORGANIZATION (PPO) PLANS

MCHCP's PPO plans use a network of preferred providers. A PPO plan allows members to use any provider, but claim reimbursement is higher when utilizing the PPO network. The PPO plans have network benefits that require a deductible be met before claims are paid at varying percentages based on the PPO plan selected. The out-of-pocket maximum ensures a member's annual medical expenses are capped.

HIGH DEDUCTIBLE HEALTH PLAN WITH HEALTH SAVINGS ACCOUNT (HDHP WITH HSA)

The HDHP with HSA offers higher deductibles than most PPO plans, but provides a tax-advantaged way to help members save for future medical expenses. Enrollment in an MCHCP-qualified HDHP is required for participation in a Health Savings Account (HSA). The Internal Revenue Service establishes maximum annual HSA contribution amounts, but there is no limit on the balance of the HSA. MCHCP contributes funds to state members' HSAs on a monthly basis. HSA funds can be used for qualified medical and pharmacy expenses, and deductible and coinsurance amounts.

MEDICARE SUPPLEMENT PLAN

State retirees with Medicare may enroll in the Medicare Supplement Plan. This plan helps cover some of the health care costs not covered by Medicare Parts A and B, such as coinsurance. This plan only pays for services that Medicare deems medically necessary.

Prescription Drug Plan

When members enroll in an MCHCP medical plan, they are automatically enrolled in the prescription drug plan. The plan maintains a broad choice of covered drugs and promotes the use of generic drugs. A drug formulary with required prior authorizations, quantity level limits and step therapy ensures members get the safest drugs at the best cost possible.

Dental Plan

The dental plan offers a broad network of providers in the state. Preventive care, such as examinations and cleanings, is covered at 100 percent and does not count toward the plan year maximum benefit amount. The plan also covers fillings, extractions, root canals, bridges, dentures, crowns, the treatment of gum disease and other services with varying deductibles and coinsurance.

Vision Plan

The vision plan offers set copayments for services received from network providers and allowances for services obtained from non-network providers. The plan covers examinations, lenses, frames, contact lenses and corrective laser surgery. Members can receive discounts on additional glasses including lenses from any provider within 12 months of an eye exam.

Employee Assistance Program (EAP)

The EAP is a confidential counseling and referral service that can help employees and their families deal with life's challenges. EAP services are available at no cost to the member. The program can help with issues such as stress, parenting, alcohol and drug abuse, marital problems, anxiety, depression, legal issues and financial concerns.

Wellness Program

MCHCP's *Lifestyle Ladder* program is designed to help members become aware of how their lifestyle choices affect their health. Participation starts with a health assessment—a questionnaire that offers information, resources and motivation to improve health and well-being. After completing the questionnaire, members may participate in online or phone coaching, fitness activities and campaigns to earn a premium reduction throughout the year.

Disease Management Program

The disease management program encourages members with chronic conditions such as diabetes and high blood pressure to participate in a nurse coaching program. Members learn new ways to control their conditions and avoid health crises and relapses that can lead to emergency room visits. Nurses may communicate with a member's health care provider to provide support between office visits.

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FINANCIAL *Carvings*

Report of Independent Auditors

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109
OFFICE (573) 635-6196 FAX (573) 644-7240

www.williamskeepers.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Missouri Consolidated Health Care Plan

We have audited the accompanying financial statements of each major fund of Missouri Consolidated Health Care Plan (the Plan) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Plan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Plan as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements of the Plan, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Williams Keepers LLC

December 6, 2011

American Institute of Certified Public Accountants
Missouri Society of Certified Public Accountants
PKF North America

Superior service. Creative solutions. Exceptional clients.

Management's Discussion & Analysis

This section of the annual financial report provides an overview and analysis of the financial activities of the Missouri Consolidated Health Care Plan (MCHCP) for the fiscal years ended June 30, 2011 through 2010. We encourage you to consider the information presented here in conjunction with additional information presented in the basic financial statements which follow this section.

Fiscal year ended June 30, 2011 became the fourth year of presentation for the adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Implementation was not required until fiscal year 2008 because MCHCP previously accounted and reported for its activities under GASB #10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. GASB #10 was amended by GASB #45 but remained in effect for accounting for health care benefits to retirees until the effective date of GASB #45. Thus, GASB #45 was effective for MCHCP's fiscal year ended June 30, 2008.

As a result of implementation, MCHCP created a separate fiduciary trust fund (State Retiree Welfare Benefit Trust or SRWBT) to handle the post-employment benefits for state employees. Prior to that time, the Internal Service Fund (ISF) of MCHCP handled both active and retired participants. For the current fiscal year, even though there was no significant change from an operational aspect, the net assets and activity related to active participants is reported in the ISF and the net assets and activity related to retired participants is reported in the SRWBT in the accompanying financial statements.

Fund Accounting

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MCHCP, like other discretely presented component units of the State of Missouri (as defined by GASB Statement #14), uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories available for governmental accounting: governmental funds, proprietary funds and fiduciary funds. The ISF is considered to be a proprietary funds while SRWBT is classified as a fiduciary fund. MCHCP does not have any governmental funds.

Proprietary funds. Proprietary funds account for governmental operations that are designed to be self-supporting from fees charged to consumers for the provision of those goods and services or where the government has decided that the periodic determination of revenues, expenses, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources through the use of accrual accounting. Of the two types of proprietary funds, MCHCP maintains one type: internal service fund. Internal service funds account for the financing of goods or services provided by one governmental department or agency to another and are expected to be self-supporting

through charges to users. MCHCP's purpose is to provide medical insurance benefits to the State of Missouri's and other participating Missouri public entities' employees, retirees, and their dependents.

Fiduciary funds. Fiduciary funds account for assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs. Fiduciary fund accounting is similar to that used for proprietary funds. The purpose of the SRWBT is to provide health and welfare benefits for the exclusive benefit of current and retired employees of the State and their dependents who meet eligibility requirements, except for those retired members covered by other post employment benefit (OPEB) plans of the State.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Plan's basic financial statements. Typically, governmental financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. However, because the Plan has only proprietary and fiduciary funds, government-wide financial statements are not presented. Proprietary funds present financial statement information in the same manner as government-wide financial statements only with more detail, and government-wide financial statements would be repetitive. In addition, fiduciary funds are not reflected in government-wide financial statements because the resources of that fund are not available to support MCHCP's own programs.

MCHCP presents the ISF and SRWBT on separate fund financial statements. For the ISF, the basic financial statements are comprised of the Balance Sheet; the Statement of Revenues, Expenses and Change in Net Assets; and the Statement of Cash Flows. For SRWBT, the basic financial statements are comprised of the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. The Notes to the Financial Statements are also part of the basic financial statements and apply to both the ISF and SRWBT. The financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles applicable to governmental benefit plans.

The Balance Sheet and Statement of Plan Net Assets present MCHCP's financial position as of the end of the fiscal year for each fund. Information is displayed as assets and liabilities, with the difference between the two reported as net assets or deficit. The net assets of MCHCP reflect the resources available as of the end of the fiscal year to pay benefits to members when due. Over time, increases and decreases in net assets measure whether MCHCP's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Assets and the Statement of Changes in Plan Net Assets present information detailing the revenues and expenses that resulted in the change in net assets that occurred during the current fiscal year. All revenues and expenses are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying

event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a public entity, even though not yet paid by year end, will be reflected as revenue. Likewise, claims that occurred during the fiscal year under self-funded plans will be reflected as an expense, whether or not they have been paid as of the end of the fiscal year.

The Statement of Cash Flows presents the cash inflows and outflows of the ISF categorized by operating, capital and related financing, and investing activities. It reconciles the beginning and end of year cash balances contained in the Balance Sheet. The effects of accrual accounting are adjusted out and noncash activities, such as depreciation, are removed to supplement the presentation in the Statement of Revenue, Expenses and Change in Net Assets. A statement of cash flows is not required for the SRWBT.

The Notes to Financial Statements follow the above basic financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

The following tables present summarized financial position and results for the fiscal years ending June 30, 2011, 2010, and 2009. Additional details are available in the accompanying basic financial statements. For fiscal years ended June 30, 2011 and 2010, comments are separated between the ISF (active participants) and the SRWBT (retired participants) as appropriate.

Current assets have increased for the years ended June 30, 2011 and 2010, primarily due to changes in cash and cash equivalents as a result of positive results from operating activities for both years.

Capital asset activity has been minimal as operations have not changed significantly during the years presented.

Decreases in rebates and other receivables indicative during 2011 over 2010 are due primarily to the timing of receipt of pharmacy and Medicare Part D rebates at each fiscal year end. Pharmacy rebates receivable at June 30, 2011, 2010, and 2009, respectively, for the ISF were $1,518,566, $2,026,891, and $2,175,414, while rebates for the SRWBT totaled $2,441,249, $3,915,424 and $3,035,901 for the same period. Other receivables primarily related to claims recoveries and overpayments by the third party administrator of $384,053 and $1,775,241, respectively, were significantly lower in 2011 over 2010 due to changes in vendor contracts. The decrease in rebates and other receivables during 2010 over 2009 is due primarily through the MCHCP reaching a memorandum of understanding (MOU) with a health maintenance organization (HMO) in consideration of claims overpayments made by the HMO in the amount of $4 million reflected in 2009 totals.

Accrued medical claims and fees decreased for the ISF and the SRWBT for the year ended June 30, 2011, primarily due to a 6 percent decrease in covered lives at June 30, 2011 over year end June 30, 2010 and the associated reduction in the IBNR (incurred but not reported) estimate. Accrued medical claims and fees decreased for the ISF and the SRWBT in 2010 over 2009 due to a decrease in covered lives at June 30, 2010 and a reduction in the IBNR (incurred but not reported) estimate. This reduction was based primarily on a reduction in the duration of processing time associated with claims payments by the new third party administrator.

Deferred premium revenues for June 30, 2011, were influenced by the increase in state contributions for the June 30, 2011, payroll period over collections received for June 30, 2010. For both the ISF and SRWBT, deferred premiums totaled $30,147,383 at June 30, 2011, an increase over the previous fiscal year ended 2010, due primarily to the State's contribution at June 30, 2011, being higher than previous year end period. Additionally, during fiscal year 2011, the MCHCP applied for and received $6,242,377 from the Early Retiree Reinsurance Program (ERRP). The Early Retiree Reinsurance Program was authorized by the Patient Protection and Affordable Care Act. Funds will be used in the 2012 plan year to offset member premiums. Deferred premium revenues for June 30, 2010, were influenced by the overall increase in State contributions during the year. For both the ISF and SRWBT, deferred premiums totaled $19,625,528 at June 30, 2010, an increase over 2009 due to lowered contributions per pay period from the State in 2009. The most significant change to deferred premiums and other liabilities occurred in 2009 due to approximately $5.2 million in state contributions historically transferred prior to fiscal year end being received after July 1, 2009. Deferred premiums and other liabilities are most significantly influenced by the state's payroll cycle and the timing of receipt of premium payments to MCHCP prior to the effective date of coverage. SRWBT deferred revenues are composed of premium deductions from retiree benefit checks received from MOSERS prior to the month of coverage.

State/Employer contributions for fiscal years 2011, 2010 and 2009 for both the ISF and the SRWBT totaled $407,600,556, $431,338,410 and $361,736,328, respectively. Funding for the years represented are attributable to the State's appropriation to fund the claims costs and operations expense attributable to State employee health benefits. Ultimately, claims costs for state employees are backed by the State of Missouri should State/Employer contributions not be sufficient to cover claims needs.

Member contributions for both years ended June 30, 2011 and 2010, increased due to changes in the mix of enrollment and the changes in plan design.

Public entity enrollment at June 30, 2011, decreased approximately 14 percent after remaining relatively unchanged for the years ended June 30, 2010 and 2009. The reduction in enrollment in 2011 resulted in approximately a 7 percent decrease in public entity contributions over contributions for the same period ended June 30, 2010, of $10,295,456. Public entity enrollment for 2010 over 2009 remained relatively unchanged, but with the mix of enrollment and annual premium increases, revenues increased by approximately 3 percent.

Beginning January 1, 2006, Medicare prescription drug coverage was made available to all people with Medicare, regardless of income, health status, or current health care. Because the prescription drug coverage offered by MCHCP was actuarially considered, on average for all plan participants, at least as good as standard Medicare coverage, members were encouraged to keep their MCHCP coverage. During fiscal years 2011, 2010 and 2009 the SRWBT received $8,216,818, $8,335,420 and $8,095,327 in subsidy payments for both the retiree drug subsidy and other rebates, respectively.

Wellness and disease management programs were introduced in an effort to promote healthy member outcomes and for cost containment measures. Decreases in vendor costs were attributable to the elimination of an independent disease management vendor during fiscal year 2010. For the years ended June 30, 2011 and 2010, the disease management costs are included in the monthly third party administrator fees paid to the new administrator. Self-funded health care costs for the period ended June 30, 2011, 2010 and 2009 for the ISF and the SRWBT totaled $456,882,919, $443,653,461 and $448,527,507, respectively. Fluctuations in self-funded expenditures are reflective of enrolled populations and the mix and related medical trend in both medical and pharmacy costs. Claims administrative service costs are based on the enrollment in self-funded options for the periods of 2011 through 2009.

MCHCP's cash is invested conservatively in overnight repurchase agreements to preserve principal and maintain liquidity. MCHCP has invested approximately $34,000,000 in longer term maturities in an effort to maximize return on investment and to diversify the portfolio. Investment income for the ISF and SRWBT consists of interest income, unrealized gains and losses in fair value, accretion of discounts, and amortization of premiums. Investment income for the ISF and the SRWBT was realized in the amount of $9,547,343 for 2011, $4,318,149 for 2010 and $3,182,461 for 2009 and is predicated on the availability of investable assets and the economic conditions influencing market conditions.

MCHCP's actuary reviews the financial assets of MCHCP's trust in conjunction with the reserve obligations and funding available as provided by the Missouri General Assembly. Due to the recent state of economic conditions facing the State, the MCHCP, members of the General Assembly, and the State's Office of Budget and Planning meet regularly to discuss funding needs and projected claims expenditures in an effort to develop funding levels for the Plan. Ultimately, the funding of claims costs are backed by the State of Missouri should contributions be unable to meet claims obligations.

Condensed Balance Sheets

Internal Service Fund

ASSETS	• 2011	2010	2009
Current assets	$ 146,077,527	$ 116,431,949	$ 97,228,281
Capital assets	333,028	464,595	590,529
Total assets	**$ 146,410,555**	$ 116,896,544	$ 97,818,810

LIABILITIES & NET ASSETS			
Accrued medical claims and fees	$ 42,047,885	$ 47,839,736	$ 52,632,962
Deferred premiums and other liabilities	40,615,410	29,878,083	24,391,254
Total current liabilities	82,663,295	77,717,819	77,024,216
Net assets:			
Unrestricted	63,414,232	38,760,400	20,305,859
Invested in capital assets, net of related debt	333,028	418,325	488,735
Total net assets	**63,747,260**	39,178,725	20,794,594
Total liabilities and net assets	**$ 146,410,555**	$ 116,896,544	$ 97,818,810

Condensed Statements of Revenue, Expenses & Change in Net Assets

Internal Service Fund

OPERATING REVENUES	• 2011	2010	2009
State/employer contributions	$ 354,247,003	$ 356,953,666	$ 270,289,644
State employee/member contributions	83,925,846	73,309,792	65,348,201
Public entity contributions	9,513,436	10,295,456	9,966,190
Subcontractor and other rebates	4,522,990	5,344,809	4,603,754
Total operating revenues	**$ 452,209,275**	$ 445,903,723	$ 350,207,789

OPERATING EXPENSES			
Medical claims and capitation expense	$ 422,066,045	$ 422,117,593	$ 431,216,276
General and administration expense	6,283,507	6,506,897	6,927,014
Total operating expenses	**428,349,552**	428,624,490	438,143,290
Operating income (loss)	23,859,723	17,279,233	(87,935,501)
Investment income and other changes	708,812	1,104,898	2,504,570
Excess (deficiency) of revenues over expenses	24,568,535	18,384,131	(85,430,931)
Net assets, beginning of the year	39,178,725	20,794,594	106,225,525
Net assets, end of the year	**$ 63,747,260**	$ 39,178,725	$ 20,794,594

State Retiree Welfare Benefit Trust: Statements of Plan Net Assets

As of June 30, 2011 & 2010

ASSETS	• **2011**	2010
Cash and cash equivalents	$ 3,505,970	$ 2,715,702
Due from MCHCP	14,692,830	13,569,396
Investments	73,948,417	66,239,556
Receivables		
Prescription drug rebates	1,047,530	1,367,356
Retiree drug subsidy	1,393,719	2,548,068
Other receivables	348,141	324,223
Total receivables	2,789,390	4,239,647
Total assets	**$ 94,936,607**	$ 86,764,301

LIABILITIES		
Accrued medical claims and capitation fees	$ 9,534,000	$ 9,802,000
Deferred revenue	4,924,102	3,654,757
Other liabilities	258,647	112,639
Total liabilities	**14,716,749**	13,569,396
Net assets, held in trust for other post-employment benefits	**$ 80,219,858**	$ 73,194,905

State Retiree Welfare Benefit Trust: Statements of Changes in Plan Net Assets

For the years ended June 30, 2011 & 2010

ADDITIONS	• **2011**	2010
Employer contributions	$ 53,353,553	$ 74,384,744
Employee contributions	50,923,370	50,658,363
Investment income	8,838,531	3,420,671
Retiree drug subsidy and other rebates	8,216,818	8,335,420
Total additions	**$ 121,332,272**	$ 136,799,198

DEDUCTIONS		
Medical claims and capitation expense	$ 107,360,435	$ 104,628,432
Claims administration services	4,115,613	4,570,596
Administration and other	2,831,271	3,056,839
Total deductions	**114,307,319**	112,255,867
Net increase	7,024,953	24,543,331
Net assets held in trust for other post-employment benefits		
Beginning of year	73,194,905	48,651,574
End of year	**$ 80,219,858**	$ 73,194,905

Summary

During the years presented, MCHCP faced a tightened State budget, which compelled it to look at new products and changes to benefit offerings. Combined with expected continued escalation in health care costs, MCHCP faces significant challenges in an effort to provide affordable health care coverage to its members. As a result, MCHCP has explored a full range of viable options to accommodate the State budget, including changes in benefit design, modifications in co-pay and deductible amounts, increases in premiums, and changes in provider networks. Wellness and disease management programs were developed to continue to foster healthier outcomes and reduce claims expenditures. The overall financial position of MCHCP is reliant upon state funding, cost containment and comprehensive benefits review of the self-funded programs to continue to generate a healthier membership in MCHCP.

Requests For Information

This financial report is designed to provide a general overview of MCHCP's financial position for all those with an interest in MCHCP. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Missouri Consolidated Health Care Plan, 832 Weathered Rock Court, PO Box 104355, Jefferson City, MO 65110-4355.

Balance Sheets
Internal Service Fund

As of June 30, 2011 & 2010

ASSETS	• 2011	2010
Current assets		
Cash and cash equivalents	$ 108,932,381	$ 78,214,695
Investments	34,931,460	33,813,212
Rebates and other receivables	2,182,890	4,261,175
Prepaid expenses	30,796	142,867
Total current assets	146,077,527	116,431,949
Capital assets		
Furniture, fixtures and equipment, net of accumulated depreciation of $2,544,930 and $2,404,360, respectively	333,028	464,595
Total assets	**$ 146,410,555**	$ 116,896,544

LIABILITIES & NET ASSETS		
Accrued medical claims and capitation fee expense	$ 42,047,885	$ 47,839,736
Accounts payable and accrued expenses	699,299	337,916
Due to SRWBT	14,692,830	13,569,396
Deferred premium revenue	25,223,281	15,970,771
Total current liabilities	82,663,295	77,717,819
Net assets		
Unrestricted	63,414,232	38,760,400
Invested in capital assets, net of related debt	333,028	418,325
Total net assets	**$ 63,747,260**	$ 39,178,725
Total liabilities and net assets	**$ 146,410,555**	$ 116,896,544

Statements of Revenues, Expenses & Change in Net Assets

Internal Service Fund

For the years ended June 30, 2011 & 2010

OPERATING REVENUES		• 2011		2010
State/employer contributions	$	354,247,003	$	356,953,666
Member contributions		83,925,846		73,309,792
Public entity contributions		9,513,436		10,295,456
Pharmacy rebates		4,522,990		5,344,809
Total operating revenues	**$**	**452,209,275**	$	445,903,723

OPERATING EXPENSES				
Medical claims and capitation expense	$	409,567,239	$	405,742,184
Claims administration services		11,127,397		13,711,789
Payroll and related benefits		3,118,821		3,365,166
Health management		1,371,409		2,663,620
Administration		1,029,905		1,251,405
Professional services		1,359,829		1,132,392
Employee Assistance Program		774,952		757,934
Total operating expenses	**$**	**428,349,552**	$	428,624,490
Operating revenues over operating expenses		23,859,723		17,279,233

NON-OPERATING REVENUES				
Investment and other income	$	708,812	$	1,104,898
Change in net assets		24,568,535		18,384,131
Net assets, beginning of year		39,178,725		20,794,594
Net assets, end of year	**$**	**63,747,260**	$	39,178,725

Statements of Cash Flows

For the years ended June 30, 2011 & 2010

CASH FLOWS	• 2011	2010
Cash flows from operating activities		
Cash received from State, employer, members and public entities	$ 463,470,631	$ 454,130,205
Cash payments for medical claims and capitation fee payments	(407,215,344)	(402,151,443)
Cash payments to employees for services	(3,204,271)	(3,365,165)
Cash payments to other suppliers of goods and services	(22,886,508)	(27,497,312)
Net cash provided by operating activities	30,164,508	21,116,285
Cash flows from noncapital financing activities		
Changes in amounts due to SRWBT	1,123,434	943,335
Cash flows from capital and related financing activities		
Purchase of furniture, fixtures and equipment	(230,361)	(328,872)
Cash flows from investing activities		
Cash received from investment income; net of investment expenses	1,207,017	1,534,881
Purchases of investments	(39,612,703)	(43,179,303)
Proceeds from investments	38,065,791	40,496,567
Net cash used by investing activities	(339,895)	(1,147,855)
Net increase in cash and cash equivalents	30,717,686	20,582,893
Cash and cash equivalents, beginning of year	78,214,695	57,631,802
Cash and cash equivalents, end of year	**$ 108,932,381**	$ 78,214,695
Reconciliation of operating revenues over operating expenses to net cash provided by operating activities		
Operating revenues over operating expenses	$ 23,859,723	$ 17,279,233

ADJUSTMENTS		
Adjustments to reconcile operating revenues over operating expenses to net cash provided by operating activities		
Depreciation	361,824	454,228
Changes in assets and liabilities		
Rebates and other receivables	2,008,844	3,651,883
Prepaid expenses	112,071	(9,186)
Accrued medical claims and capitation fees	(5,786,373)	(4,793,226)
Accounts payable and accrued expenses	355,909	(41,245)
Deferred premium revenue	9,252,510	4,574,598
Total adjustments	**6,304,785**	3,837,052
Net cash provided by operating activities	**$ 30,164,508**	$ 21,116,285
Noncash investing, capital and financing activities		
Decrease in fair value of investments	$ 72,812	$ 113,099

State Retiree Welfare Benefit Trust: Statements of Plan Net Assets

As of June 30, 2011 & 2010

ASSETS		• 2011		2010
Cash and cash equivalents	$	3,505,970	$	2,715,702
Due from MCHCP		14,692,830		13,569,396
Investments		73,948,417		66,239,556
Receivables				
Prescription drug rebates		1,047,530		1,367,356
Retiree drug subsidy		1,393,719		2,548,068
Other receivables		348,141		324,223
Total receivables		2,789,390		4,239,647
Total assets	**$**	**94,936,607**	$	86,764,301
LIABILITIES				
Accrued medical claims and capitation fees	$	9,534,000	$	9,802,000
Deferred revenue		4,924,102		3,654,757
Other liabilities		258,647		112,639
Total liabilities		**14,716,749**		13,569,396
Net assets, held in trust for other post-employment benefits	**$**	**80,219,858**	$	73,194,905

State Retiree Welfare Benefit Trust: Statements of Changes in Plan Net Assets

For the years ended June 30, 2011 & 2010

ADDITIONS		• 2011		2010
Employer contributions	$	53,353,553	$	74,384,744
Employee contributions		50,923,370		50,658,363
Investment income		8,838,531		3,420,671
Retiree drug subsidy and other rebates		8,216,818		8,335,420
Total additions	**$**	**121,332,272**	$	136,799,198
DEDUCTIONS				
Medical claims and capitation expense	$	107,360,435	$	104,628,432
Claims administration services		4,115,613		4,570,596
Administration and other		2,831,271		3,056,839
Total deductions		**114,307,319**		112,255,867
Net increase		7,024,953		24,543,331
Net assets held in trust for other post-employment benefits				
Beginning of year		73,194,905		48,651,574
End of year	**$**	**80,219,858**	$	73,194,905

Notes to Financial Sections

1. General

The Missouri Consolidated Health Care Plan (the Plan) was statutorily created and organized on Jan. 1, 1994, with the purpose of providing medical insurance benefits to the State of Missouri's (State) employees, retirees and their dependents as well as other Missouri public entity employees, retirees and their dependents. Prior to 1994, medical insurance benefits for the State's employees, retirees and their dependents were provided by Missouri State Employees' Retirement System (MOSERS) medical care plan. On Jan. 1, 1994, through a transfer agreement between the Plan and MOSERS, all MOSERS-related medical care plan assets and liabilities were transferred to the Plan.

The Plan's medical insurance benefits are provided through various health maintenance organizations (HMO) and self-funded HMOs. The Plan currently has more than 98,000 active and retired State members and dependents, 1,390 public entity members and dependents, and more than 99,000 covered lives, and is funded through both employer and employee contributions. Through December 31, 1994, all Plan members were State employees, retirees and their dependents. Beginning January 1, 1995, additional members included public entity employees, retirees and dependents.

State contribution rates are based on the State's approved appropriation and the number of anticipated participants. State employee and public entity contribution rates are established by the Plan's Board of Trustees based on contractor bids for the plan year and budgeted employer contributions.

Governmental Accounting Standards Board (GASB) has two statements related to accounting and reporting for post employment benefits other than pensions (OPEB): GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which was first effective for certain governments with fiscal years beginning after December 15, 2006, and GASB No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which was generally first effective one year prior to the effective dates of GASB No. 45.

MCHCP is considered an "agent multiple employer plan" because each employer remains individually responsible for financing its own commitment to provide benefits to its participants, including any eligible retirees. During the fiscal year ended June 30, 2008, MCHCP implemented the provisions of GASB Statement No. 43. As a result of implementation, MCHCP created a separate fiduciary trust fund (State Retiree Welfare Benefit Trust, or SRWBT) to handle the post-employment benefits for State employees.

SRWBT was established and organized on June 27, 2008, pursuant to the Revised Statutes of Missouri (2000) as amended ("RSMo") 103.003 through 103.178 to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the State and their dependents who meet eligibility requirements except for those retired members covered by other post-employment benefit

(OPEB) plans of the State. The SRWBT is considered a cost-sharing multiple employer plan because it covers various State agencies and legally separate component units. It is administered by Plan staff under the direction of the Plan Board of Trustees.

Beginning June 30, 2009, the net assets and activity related to active participants are reported in the Internal Service Fund (ISF), and the net assets and activity related to retired participants are reported in the SRWBT in the accompanying financial statements. In the following footnotes, the term "the Plan" refers to both the ISF and SRWBT. Disclosures that are specific to the ISF or SRWBT are separately noted.

The Plan is considered a part of the State's financial reporting entity and is included in the State's financial reports as a component unit. As the Plan is considered a political subunit of the State and provider of essential governmental services, it is not subject to federal income taxes, nor to the provisions of the Employee Retirement Income Security Act of 1974.

The Plan is administered according to Missouri statutes. These statutes do not include a provision for the termination of the Plan.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies

A. BASIS OF ACCOUNTING

The financial statments of the ISF are intended to present the financial position and the changes in financial position of only that portion of the activities attributable to the transactions of the ISF. The ISF is accounted for as a proprietary fund.

The Plan's financial statements for the ISF were prepared using the accrual basis of accounting, in accordance with GAAP, as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, establishes the GAAP hierarchy for proprietary funds. The statement requires that proprietary activities apply all applicable GASB pronouncements. The Plan must also apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before Nov. 30, 1989, to the extent that they do not conflict with GASB pronouncements.

The financial statements of the SRWBT are intended to present the financial position and the changes in financial position of only that portion of the activities attributable to the transactions of the SRWBT.

The SRWBT is accounted for as a fiduciary fund. Accordingly, the financial statements are prepared using the accrual basis of accounting in conformity with GAAP.

B. METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value on a trade-date basis with changes in fair value recorded in investment income on the statement of revenues, expenses and changes in net assets. Investments are recorded at fair value as determined by quoted market price, when available, or estimated fair value when not available. Many factors are considered in arriving at that fair market value. In general, however, bonds and mortgages are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Realized gains and losses are based on the specific identification basis. The calculation of realized gains and losses is independent of the calculation of the change in net unrealized gains and losses.

C. DEPOSITS & INVESTMENTS

The Plan considers all highly liquid investments, readily convertible into cash with original maturities of three months or less, to be cash equivalents.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan would not be able to recover deposits or collateral securities in the possession of an outside party. In an effort to mitigate custodial credit risk, the Plan requires the bank to sweep the accounts each night into overnight repurchase agreements for which the underlying securities must be of the type approved by the State. All remaining cash balances are to be insured or appropriately collateralized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the transaction, the Plan would not be able to recover the value of investments or collateral securities in the possession of an outside party. The Plan does not have a formal policy regarding custodial credit risk. However, the bank acting as the investment manager has been approved by the Plan's Board of Trustees.

Deposits

Cash balances represent operating bank account balances. To maximize investment income, the float caused by outstanding checks is invested in overnight repurchase agreements, thus causing a negative carrying value.

At June 30, 2011, cash held in the financial institution had a bank balance of $35,558 and a carrying value of ($10,592,530). Of the bank balance, $35,558 was covered by federal depository insurance. The remaining $123,030,882 of cash and cash equivalents are held in repurchase agreements and fully collateralized with securities held by a third-party financial institution in the Plan's name.

At June 30, 2010, cash held in the financial institution had a bank balance of $48,206 and a carrying value of ($12,789,005). Of the bank balance, $48,206 was covered by federal depository insurance. The remaining $93,719,401 of cash and cash equivalents are held in repurchase agreements and fully collateralized with securities held by a third-party financial institution in the Plan's name. The Plan's contracted yield on its overnight repurchase agreements was 22 basis points above the prevailing 91-day U.S. Treasury Bill rate as of June 30, 2011 and 2010, respectively.

Investments

In December 2005, the Plan adopted a revised investment policy to maximize investment earnings for the ISF. The Plan's investment policy for the ISF is predicated on the primary objectives of safety, liquidity, and yield, in order of priority. Investments in bankers' acceptances and commercial paper are required to mature and become payable not more than 180 days from the date of purchase. All other investments are required to mature and become payable not more than five years from the date of purchase. The weighted average life should not exceed three years and should be consistent with the investment objectives.

The Board of Trustees, in July 2009, adopted an asset allocation model for the SRWBT that implemented a moderate investment approach allocating 33 percent to equities. This approach was approved to steadily increase the exposure of the SRWBT to higher return asset classes over time. Exposure to equities will be through a combination of actively managed index funds and/or exchange traded funds that are highly rated and reviewed regularly. Allocations are back-tested, and future assets are projected in all models.

The Plan follows the "prudent person" rule for investment decisions. Essentially, the Plan operates as a prudent person acting in a like capacity and familiar with similar matters would act in the conduct of an enterprise of a like character and with like aims. Any person with fiduciary responsibilities with respect to the Plan is covered by this "prudent person" rule. As of June 30, 2011 and 2010, the Plan had the following investments:

Types of Investments		ISF 2011 • Market Value		ISF 2010 Market Value
U.S. Agencies	$	24,293,078	$	24,582,976
U.S. Government Guaranteed Mortgages		2,676,116		5,768,362
U.S. Treasury		7,962,266		3,461,874
Total Investments	**$**	**34,931,460**	$	33,813,212

Types of Investments		SRWBT 2011 • Market Value		SRWBT 2010 Market Value
U.S. Agencies	$	10,224,067	$	14,657,167
U.S. Government Guaranteed Mortgages		936,409		4,049,757
Corporate		15,352,999		13,482,487
Collateralized Mortgage Obligations		19,103,271		14,072,648
Equities		12,357,530		8,099,560
Mutual Funds		15,974,141		11,877,937
Total Investments	**$**	**73,948,417**	$	66,239,556

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the ISF's investment in a single issue. To mitigate this risk, the ISF's investment policy provides general guidelines on diversification. Investments in U.S. Treasuries and securities, collateralized time and demand deposits, and collateralized repurchase agreements can constitute up to 100 percent of the investment portfolio; U.S. government agencies, including mortgage-backed securities, cannot exceed 60 percent of the portfolio; and U.S. government agency callable securities, bankers' acceptances and commercial paper cannot exceed 30 percent of the portfolio. The SRWBT has implemented an investment approach allocating 33 percent to equities. At June 30, 2010 the SRWBT held the following investments in a single issue that exceeded 5 percent of total investments that were not U.S. securities. These holdings were within the investment policy guidelines. No such holdings existed at June 30, 2011. Carrying value of the investments is as follows:

June 30, 2010	
IShares TR Index S&P SMLCAP 600(IJR)	**$4,421,397**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Plan minimizes this risk by only authorizing investment types approved by the Treasurer of the State of Missouri, limiting investments to the safest types of securities, and diversifying the portfolio so potential losses on individual securities will be minimized. The Plan does not have an investment policy designating a minimal rating. The Plan's investments by credit rating category as of June 30, 2011 and 2010 are presented below:

Types of Investments		**ISF 2011 • Market Value**	**ISF 2011 Avg. Ratings**		ISF 2010 Market Value	ISF 2010 Avg. Ratings
U.S. Agencies	$	24,293,078	AAA/Aaa	$	24,582,976	AAA/Aaa
U.S. Government Guaranteed Mortgages		2,676,116	AAA/Aaa		5,768,362	AAA/Aaa
U.S. Treasury		7,962,266	AAA/Aaa		3,461,874	AAA/Aaa
Total Investments	**$**	**34,931,460**		$	33,813,212	

Types of Investments		**SRWBT 2011 • Market Value**	**SRWBT 2011 Avg. Ratings**		SRWBT 2010 Market Value	SRWBT 2010 Avg. Ratings
U.S. Agencies	$	10,224,067	AAA/Aaa	$	14,657,167	AAA/Aaa
U.S. Government Guaranteed Mortgages		936,409	AAA/Aaa		4,049,757	AAA/Aaa
Corporate		15,352,999	A+/A1		13,482,487	A+/A1
Collateralized Mortgage Obligations		19,103,271	AAA/Aaa		14,072,648	AAA/Aaa
Equities		12,357,530	A-		8,099,560	A-
Mutual Funds		15,974,141	3-STAR		11,877,937	3-STAR
Total Investments	**$**	**73,948,417**		$	66,239,556	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan minimizes this risk by 1) structuring the portfolio so securities mature to meet cash requirements for ongoing operations, 2) using cash flow modeling to moderate the interest rate risk by reducing any unanticipated security sales that could result in a loss of principal and 3) maintaining the operating funds primarily in repurchase agreements according to the banking contract. For the interest rate risk measurement for the Plan, Central Bank employs the duration method. The maturities of the Plan's investments as of June 30, 2011 and 2010 are presented below:

Types of Investments	**ISF 2011 Market Value**	**ISF 2011 Avg. Duration**	ISF 2010 Market Value	ISF 2010 Avg. Duration
U.S. Agencies	$ 24,293,078	1.95	$ 24,582,976	2.27
U.S. Government Guaranteed Mortgages	2,676,116	0.70	5,768,362	0.77
U.S. Treasury	7,962,266	2.39	3,461,874	0.64
Total Investments	**$ 34,931,460**		$ 33,813,212	

Types of Investments	**SRWBT 2011 Market Value**	**SRWBT 2011 Avg. Duration**	SRWBT 2010 Market Value	SRWBT 2010 Avg. Duration
U.S. Agencies	$ 10,224,067	6.21	$ 14,657,167	8.69
U.S. Government Guaranteed Mortgages	936,409	3.33	4,049,757	4.49
Corporate	15,352,999	8.60	13,482,487	5.32
Collateralized Mortgage Obligations	19,103,271	5.76	14,072,648	2.66
Equities	12,357,530	15 years	8,099,560	15 years
Mutual Funds	15,974,141	15 years	11,877,937	15 years
Total Investments	**$ 73,948,417**		$ 66,239,556	

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan has no investments subject to foreign currency risk.

D. INTERFUND ACTIVITY & BALANCES

As disclosed above, the ISF provides all administrative responsibilities related to SRWBT, which has no separate facilities or staff. Expenses directly attributable to SRWBT are charged to SRWBT. Other operating expenses, including personnel, are allocated between the ISF and the SRWBT based on participant counts for retired and active participants. The balance of the interfund receivable/payable represents the excess of SRWBT contributions collected by the ISF Plan over expenses paid by the ISF Plan for SRWBT.

E. RECEIVABLES

As a Medicare Part D Prescription Drug Plan (PDP), the Plan receives a retiree drug subsidy from the federal government. For fiscal years ended June 30, 2011 and 2010, all amounts related to PDP are recorded in the SRWBT, as the program is only for retirees. Estimated revenue is recognized as SRWBT incurs Medicare-eligible retiree prescription drug expenditures.

In addition, the Plan receives rebates from its pharmacy benefit manager related to manufacturers' rebates and other guaranteed rebates for non-Medicare Part D prescriptions. For the years ended June 30, 2011 and 2010, these rebates are allocated between the ISF and the SRWBT. Estimated revenue is recognized for rebates based on prescription claims counts and historical average rebate per claim.

Traditionally, receivables are composed of primarily pharmacy rebates from the pharmacy benefit manager and the Medicare Part D subsidy. Other receivables include interest income and miscellaneous premium amounts.

F. FURNITURE, FIXTURES & EQUIPMENT

Furniture, fixtures and equipment are capitalized at cost when acquired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Furniture and fixtures are depreciated over a 10-year useful life. Data processing equipment is depreciated over a five-year useful life. Threshold for the capitalizing of assets is $250.

Maintenance and repairs are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or retired are removed from the related accounts, and the resulting gains or losses are reflected as nonoperating gains or losses in the statement of revenues, expenses and change in net assets. The changes in Furniture, Fixtures and Equipment for the years ended June 30, 2011 and 2010 are as presented in the chart below.

Furniture, Fixtures & Equipment		• 2011
Balance June 30, 2010	$	2,868,955
Additions		230,359
Deletions		(221,356)
Balance June 30, 2011	**$**	**2,877,958**

Furniture, Fixtures & Equipment		2010
Balance June 30, 2009	$	2,940,747
Additions		328,294
Deletions		(400,086)
Balance June 30, 2010	$	2,868,955

Accumulated Depreciation		• 2011
Balance June 30, 2010	$	2,404,360
Depreciation Expense		361,824
Deletions		(221,254)
Balance June 30, 2011	**$**	**2,544,930**

Accumulated Depreciation		2010
Balance June 30, 2009	$	2,350,218
Depreciation Expense		454,228
Deletions		(400,086)
Balance June 30, 2010	$	2,404,360

G. PLAN FUNDING

State Appropriations/Contributions

Funds are appropriated to the Plan by the Missouri State General Assembly. Premiums are received one-half prior to the month of coverage and one-half during the month of coverage. Funds are received by the Plan every two weeks and coincide with the State's payroll cycle.

The State's monthly per-member active contribution for fiscal years 2011, 2010, and 2009 averaged $699, $672 and $540 per month respectively.

In addition to monthly per-member contributions, the State also provided additional funding for post-employment health care benefits (OPEB). The monthly per-member contributions are intended to cover the current plan benefits, whereas the additional funding is intended to build the funding reserve for future OPEB benefits. The State did not provide additional funding during the year ended June 30, 2011. The total additional funding contributed during the years ended June 30, 2010 and 2009 was $18,291,088 and $31,568,817, respectively.

All state appropriations are available to pay benefits for both active and retired participants, except for the additional amounts contributed to fund the OPEB reserve.

Member Premiums

Monthly member premiums for State employees are established annually by the Plan's Board of Trustees. These premiums are deducted from employee payroll checks in advance. Additionally, the Plan bills members who are not receiving payroll checks two weeks in advance.

Public Entity Premiums

Monthly public entity premiums are established annually by the Plan's Board of Trustees. The Plan bills the public entities two weeks in advance.

Deferred Premium Revenue

Deferred premium revenue includes premium revenue from the members, public entities, and the State received in advance of the month coverage is provided. During the fiscal year ended June 30, 2011, the Plan applied for and received $6.2 million from the Early Retiree Reinsurance Program (ERRP). The Early Retiree Reinsurance program was authorized by the Patient Protection and Affordable Care Act. The funds were deferred and will be utilized in lowered premiums for members in the 2012 Plan Year.

Operating/Nonoperating Revenues

Operating revenues and expenses reflect items directly related to providing health benefits to members. Nonoperating revenues and expenses represent investment income and other items not directly related to providing health benefits to members.

H. OTHER POST-EMPLOYMENT BENEFITS

Retirees who had state-sponsored medical insurance coverage for at least two years (or since first eligible) before they were eligible to retire, based on their plan's criteria, may continue coverage into retirement. At June 30, 2011 and 2010, there were 18,719 and 18,150 retirees and their dependents who met these eligibility requirements, respectively.

During the years ended June 30, 2011 and 2010, expenditures (net of retiree contributions) of approximately $99.8 million and $57.6 million, respectively, were recognized for post-retirement medical insurance coverage under the self-funded PPO option, and $7.7 million and $48.5 million, respectively, under the fully insured PPO and HMO and self-insured HMO options.

Funded Status and Funding Progress

The funded status of the SRWBT as of the most recent actuarial valuation is as follows:

Schedule of Funding Progress (SRWBT $ in Millions)

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
June 30, 2011	$80.2	$1,413.2	$1,333.0	5.7%	$1,559.1	85.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision, as actual results are compared with past expectations and revised estimates are made about future costs. The estimated actuarial accrued liability reflected above is based on the substantive plan in place at the time of the latest actuarial accrued valuation. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued benefits.

The accompanying schedule of employer contributions, presented as required supplementary information, presents trend information about the amounts contributed to the plan by employers in comparison to the amount that is actuarially determined in accordance with the requirements of GASB Statement No. 43. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Projections include a broad array of complex social and economic events, such as the emergence of new and expensive medical procedures and prescription drug options, changes in investment rates of return, and other uncertainties. As such, the estimate of post-retirement program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated obligation. Additional information as of the latest actuarial valuation follows:

Summary of Key Acturial Methods & Assumptions

Valuation Year	**July 1, 2010–June 30, 2011**
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years, open, level percent of pay
Asset Valuation method	Market value
Actuarial Assumptions	
Discount rate	7.0%
Projected payroll growth rate	4.0%
Health care cost trend rate (Medical and prescription drugs combined)	7.67% in fiscal year 2011, then decreasing by 2/3% per year to an ultimate of 5.0% in fiscal 2015 and after.

Employer Disclosures

Participating employers, upon their implementation of the related GASB No. 45, are required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used. Employer disclosures for MCHCP can be found in footnote M.

I. MEDICAL CLAIMS & CAPITATION

As of June 30, 2011, the Plan insured approximately 99 percent of its members through PPO contracts. During the year ended June 30, 2010, the Plan insured 92 percent of its members in HMO contracts. Approximately 91 percent and 85 percent, respectively, of the Plan's members were insured in either the self-insured HMOs or PPO for the years ended June 30, 2011 and 2010. Third-party administrators are paid a contracted administrative fee per subscriber for the self-insured contracts, with the Plan bearing all administrative and medical claims costs of providing coverage to the members. The fully insured HMOs are paid monthly based upon contracted capitation rates and current participation. The Plan bears no additional risk over the prevailing capitation rate for these contracts. As of June 30, 2011 and 2010, respectively, the Plan insured approximately 91 percent and 7 percent of it members under a self-insured PPO contract. Enrollment in the High Deductible Health Care Plan was approximately 1 percent for both years ended June 30, 2011 and 2010.

The liability for estimated accrued claims and processing costs is based on an actuarial estimate of the ultimate cost of settling such claims due and payable as of the balance sheet date (including claims reported and in process of settlement, claims reported but not yet processed for settlement, and claims incurred for services provided but not yet reported or processed for settlement). The estimated actuarial liability reflects certain assumptions, which include such factors as enrollment and utilization. Adjustments to the estimated actuarial liability for the final settlement of claims will be reflected in the year that actual results of the settlement of the claims are made and are known.

As of June 30, 2011 and 2010, $5,657,885 and $6,523,046, respectively, is included in accrued medical claims and capitation fee expenses for accrued HMO capitation expenses. Additionally, $45,924,000 and $51,118,690 at June 30, 2011 and 2010, respectively, is included in estimated accrued medical costs for claims incurred but not yet paid under the Plan's self-funded products. Although management believes these estimates are adequate, the ultimate liability may be more or less than the amounts recorded. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in current operations. Contingent liabilities exist with respect to claims covered under the Plan in the event a contracted provider or carrier is unable to meet its obligations to the Plan. Changes in estimated accrued claims for fiscal years 2011 and 2010 can be viewed in the table below:

Summary of Changes in Estimated Accrued Claims

	• **2011 ISF**	• **2011 SRWBT**	2010 ISF	2010 SRWBT
Balance at beginning of year	$ 41,316,690	$ 9,802,000	$ 46,036,381	$ 11,278,000
Current year claims and changes in estimates	255,622,823	107,644,822	247,792,744	103,454,968
Claim payments	(260,549,513)	(107,912,822)	(252,512,435)	(104,930,968)
Balance at end of year	**$ 36,390,000**	**$ 9,534,000**	$ 41,316,690	$ 9,802,000

J. RETIREMENT PLAN

All of the Plan's full-time employees are eligible to participate in the Missouri State Employees' Plan (MSEP). MSEP is a single-employer public employee retirement plan of the State of Missouri administered in accordance with Sections 104.010 and 104.312 to 104.1093 of the Revised Statutes of Missouri. Benefits are established by and can be amended by the State of Missouri legislative process. Responsibility for the operation and administration of MSEP is vested in the Missouri State Employees' Retirement System (MOSERS) Board of Trustees. MSEP provides retirement, death and disability benefits to participants and their beneficiaries. MSEP is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as a pension trust fund. MSEP issues a stand-alone report, which may be obtained by contacting the MOSERS office located at 907 Wildwood Drive, PO Box 209, Jefferson City, MO 65102.

With respect to the Plan, MSEP is accounted for and reported as a cost-sharing pension plan. Plan payroll for employees covered by MSEP for the years ended June 30, 2011 through 2009 was approximately $3.0 million for fiscal year 2011 and approximately $3.1 and $3.3 million for the years ended June 30, 2010 and 2009, respectively. These amounts also represent the Plan's total payroll, excluding related benefits. The Plan made 100 percent of its actuarially determined required contributions for the years ended

June 30, 2011, 2010, and 2009, which were approximately $409,000, $394,000 and $418,000, respectively. These contributions represented 13.81 percent, 12.75 percent and 12.53 percent, respectively, of covered payroll, and are included in payroll and related benefit expenses. Employees are not required to make contributions.

K. DEFERRED COMPENSATION PLAN

Effective Sept. 1, 2007, legislation transferred responsibility for the administration of the Missouri State Employees' Deferred Compensation Program to the MOSERS Board of Trustees. On July 1, 2008, the plan administrator, Citistreet, joined ING to become ING Institutional Plan Services. Together as ING, the organization is one of the largest defined-contribution plan providers and also provides defined benefit and health and welfare services. Effective July 31, 2008, employees are eligible upon hire to contribute to the deferred compensation plan and upon completing one year of employment are eligible to receive a maximum $35 contribution if the employee also makes at least a $35 contribution. Prior to July 31, 2008, the maximum rate per month was $25 if the employee also made a $25 contribution. In March 2010, the State suspended the employer contribution.

The Deferred Compensation Plan is an eligible State deferred compensation plan as defined by Section 457 of the Internal Revenue Code. Effective January 1, 1999, amounts deferred under the plan are held in trust for the exclusive benefit of the plan participants and their beneficiaries.

L. EMPLOYEE ASSISTANCE PROGRAM

An employee assistance benefit program is offered to all State employees and their immediate families. The program, serviced through Magellan Health Services, offers six free mental health counseling sessions per problem, per year and can be accessed 24 hours a day through a toll-free number.

M. POST-EMPLOYMENT RETIREE HEALTH CARE

For the year ended June 30, 2008, MCHCP also adopted GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. However, all State agencies and component units are included in the State's post-employment retiree health care calculations. Thus, separate information is not available for MCHCP, which is a component unit of the State. For fiscal year 2011 and 2010, respectively, MCHCP contributed $129,582 and $162,249 for its employees in accordance with the State's funding policy toward the annual required contribution (ARC) for post-employment retiree health care. These financial statements include the OPEB Plan in which MCHCP participates. See note H for further information regarding the OPEB plan.

Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$101,677,620	52.5%	$138,811,114

REQUIRED SUPPLEMENTARY INFORMATION

Cornerstones

Schedule of Claims Development

State Actives & Retirees

YEAR	• FY 2011 (Total)	FY 2011 (Active)	FY 2011 (Retiree)
	July 1, 10–June 30, 11	July 1, 10–June 30, 11	July 1, 10–June 30, 11
Required contribution and investment income	$564,736,923	$443,404,650	$121,332,273
Administrative expenses	$25,729,199	$18,782,315	$6,946,884
Estimated incurred claims and expenses end of policy year	**$539,007,724**	$424,622,335	$114,385,389

PAID CLAIMS SUMMARY	• FY 2011 (Total)	FY 2011 (Active)	FY 2011 (Retiree)
Paid (cumulative) as of	July 1, 10–June 30, 11	July 1, 10–June 30, 11	July 1, 10–June 30, 11
End of policy year	**$406,968,000**	$313,589,000	$93,379,000
One year later	*	*	*
Two years later	*	*	*

INCURRED CLAIMS SUMMARY	• FY 2011 (Total)	FY 2011 (Active)	FY 2011 (Retiree)
Re-estimated incurred claims and expenses	July 1, 10–June 30, 11	July 1, 10–June 30, 11	July 1, 10–June 30, 11
End of policy year	**$447,374,000**	$345,464,000	$101,910,000
One year later	*	*	*
Two years later	*	*	*
Increase (decrease) in estimated incurred claims and expenses from end of policy year	**$91,633,724**	$79,158,335	$12,475,389

**Data not yet available*

FY 2010 (Total)	FY 2010 (Active)	FY 2010 (Retiree)	FY 2009	FY 2008
July 1, 09-June 30, 10	July 1, 09-June 30, 10	July 1, 09-June 30, 10	July 1, 08-June 30, 09	July 1, 07-June 30, 08
$573,512,364	$436,713,165	$136,799,199	$490,081,984	$464,275,646
$30,509,743	$22,882,308	$7,627,435	$15,060,109	$13,806,748
$543,002,621	$413,830,857	$129,171,764	$468,401,641	$418,738,680

FY 2010 (Total)	FY 2010 (Active)	FY 2010 (Retiree)	FY 2009	FY 2008
July 1, 09-June 30, 10	July 1, 09-June 30, 10	July 1, 09-Jun 30, 10	July 1, 08-June 30, 09	July 1, 07-June 30, 08
$403,561,000	$313,932,000	$89,629,000	$388,429,000	$345,506,000
$445,221,000	*	*	$421,369,000	$392,432,000
*	*	*	*	$392,671,000

FY 2010 (Total)	FY 2010 (Active)	FY 2010 (Retiree)	FY 2009	FY 2008
July 1, 09-June 30, 10	July 1, 09-June 30, 10	July 1, 09-Jun 30, 10	July 1, 08-June 30, 09	July 1, 07-June 30, 08
$445,127,000	$347,411,000	$97,716,000	$439,261,000	$393,897,000
$445,359,000	*	*	$421,699,000	$392,826,000
*	*	*	*	$392,671,000
$97,875,621	$66,419,857	$31,455,764	$29,140,641	$25,912,680

Schedule of Funding Progress (SRWBT $ in Millions)

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
June 30, 2011	$80.2	$1,413.2	$1,333.0	5.7%	$1,559.1	85.5%
June 30, 2010	$73.2	$1,304.4	$1,231.2	5.6%	$1,614.0	76.3%
June 30, 2009	$48.7	$1,629.9	$1,581.2	3.0%	$1,638.1	96.5%
June 30, 2008	$15.6	$1,276.3	$1,260.3	1.3%	$1,572.9	80.1%

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability (in millions).

Schedule of Employer Contributions (SRWBT $ in Millions)

Fiscal Year Ending	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2011	$99,766,158	$53,353,553	53.5%
June 30, 2010	$93,864,650	$74,384,744	79.2%
June 30, 2009	$124,511,154	$91,446,684	73.4%
June 30, 2008	$104,479,000	$68,628,500	65.9%

The State provided benefit payments and administrative costs of $53.4M in fiscal 2011. The State provided benefit payments and administrative costs of $56.1M and an additional contribution to the trust of $18.3M in fiscal 2010. The Statement of Changes in Plan Net Assets provides more details concerning these amounts.

Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$101,677,620	52.5%	$138,811,114
June 30, 2010	$95,333,585	78.0%	$90,487,047
June 30, 2009	$125,340,490	73.0%	$69,538,206
June 30, 2008	$104,470,900	65.9%	$35,644,400

Actual contributions in fiscal 2011 of $53.4M from the State's net benefit payments and administrative costs. Actual contributions for fiscal year 2010 of $74.4M which equals $56.1M for the State's net benefit payments and administrative costs, plus an additional contribution to the trust of $18.3M.

Summary of Key Acturial Methods & Assumptions

	• **FY 2011**	FY 2010	FY 2009	FY 2008
Valuation Year	July 1, 2010 to June 30, 2011	July 1, 2009 to June 30, 2010	July 1, 2008 to June 30, 2009	July 1, 2007 to June 30, 2008
Actuarial cost method	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay
Amortization method	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay
Asset Valuation method	Market value	Market value	Market value	Market value
Actuarial Assumptions				
Discount rate	7.0%	7.0%	7.5%	7.8%
Projected payroll growth rate	4.0%	4.0%	4.0%	4.0%
Health care cost trend rate (Medical and prescription drugs combined)	7.67% in fiscal year 2011, then decreasing by 2/3% per year to an ultimate of 5.0% in fiscal 2015 and after.	8.33% in fiscal year 2010, then decreasing by 2/3% per year to an ultimate of 5.0% in fiscal 2015 and after.	9% in fiscal year 2009, then decreasing by 2/3% per year to an ultimate of 5.0% in fiscal 2015 and after.	10% in fiscal year 2008, then decreasing by 1% per year to an ultimate of 5.0% in fiscal 2013 and after.

STATISTICAL INFORMATION
Milestones

Historical Data
Internal Service Fund

Ten Years Ended June 30, 2011

REVENUES BY SOURCE

Fiscal Year	State/Employer Contributions	Member Contributions	Public Entity Income	Pharmacy Rebates and Subsidy	**Total Operating Revenues**	Investment and Other Income
2011	$ 354,247,003	$ 83,925,846	$ 9,513,436	$ 4,522,990	**$ 452,209,275**	$ 708,812
2010	356,953,666	73,309,792	10,295,456	5,344,809	445,903,723	1,104,898
2009	270,289,644	65,348,201	9,966,190	4,603,754	350,207,789	2,504,570
2008	276,886,166	57,339,368	10,008,570	5,033,832	349,267,936	7,099,139
2007	362,001,092	93,152,562	9,121,094	10,150,614	474,425,362	9,104,038
2006	319,465,109	84,069,097	8,989,197	8,104,447	420,627,850	5,928,270
2005	322,984,426	79,112,936	12,455,591	5,306,796	419,859,749	2,492,453
2004	281,657,137	84,756,549	18,201,930	5,169,299	389,784,915	765,034
2003	263,544,820	84,372,737	26,378,699	4,610,566	378,906,822	668,168
2002	222,987,803	75,701,524	37,630,463	-	336,319,790	968,329

EXPENSES BY TYPE

Fiscal Year	Medical Claims/ Capitation and Health Administrative Services	Administration and Payroll	Other	**Total Operating Expenses and Fees**	Loss on Disposal of Fixed Assets
2011	$ 422,066,045	$ 4,148,726	$ 2,134,781	**$ 428,349,552**	-
2010	422,117,593	4,275,900	2,230,997	428,624,490	-
2009	431,216,276	4,809,936	2,117,078	438,143,290	-
2008	376,273,599	4,451,041	1,823,192	382,547,832	-
2007	437,756,208	5,597,367	1,975,742	445,329,317	-
2006	396,446,979	5,309,717	2,108,558	403,865,254	-
2005	383,918,636	5,290,374	1,697,269	390,906,279	-
2004	366,923,269	5,364,366	1,549,405	373,837,040	(24,050)
2003	348,145,907	5,619,962	1,610,952	355,376,821	-
2002	334,208,591	5,314,606	1,795,708	341,318,905	(1,722)

Distribution of Claims Payments

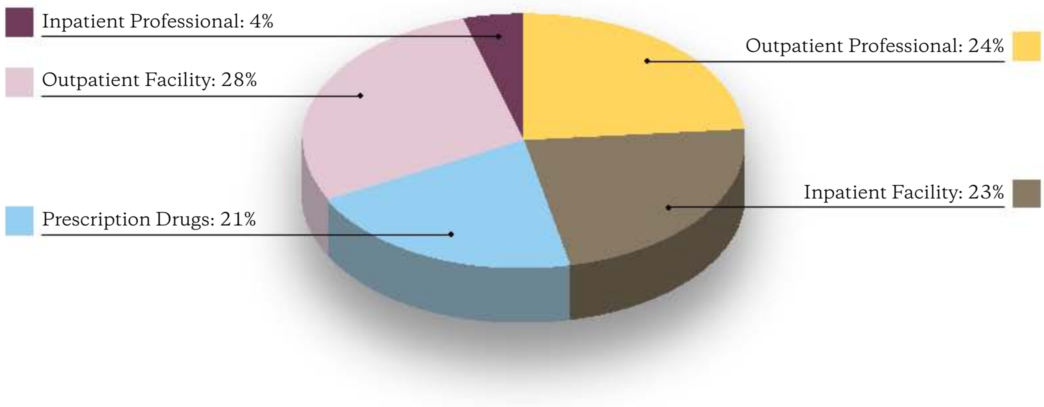
State Members—Fiscal Year 2011

SUMMARY

Total Lives: 98,441

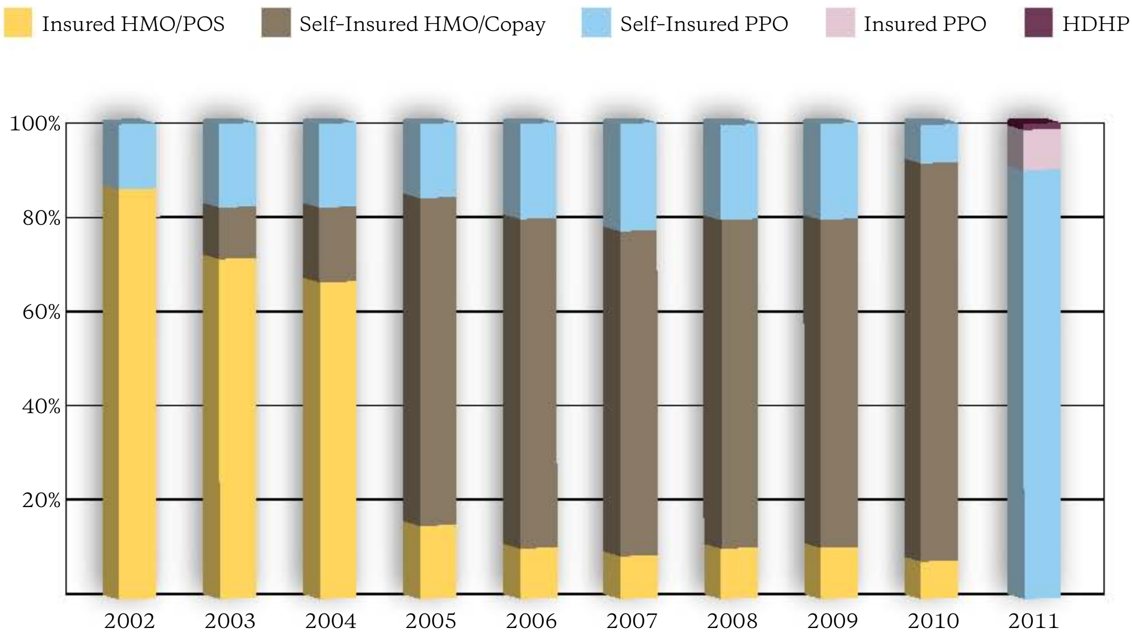
Female: 57%

Male: 43%



Total Lives by Health Care Option

State Members 2002-2011



Statements of Revenues, Expenses, & Change in Net Assets

Internal Service Fund

Ten years ended June 30, 2011

OPERATING REVENUES	• **2011**	2010	2009	2008
State/employer contributions	$ 354,247,003	$ 356,953,666	$ 270,289,644	$ 276,886,166
Member contributions	83,925,846	73,309,792	65,348,201	57,339,368
Public entity contributions	9,513,436	10,295,456	9,966,190	10,008,570
Pharmacy rebates	4,522,990	5,344,809	4,603,754	5,033,832
Medicare Part D subsidy	-	-	-	-
Total operating revenues	**$ 452,209,275**	$ 445,903,723	$ 350,207,789	$ 349,267,936
OPERATING EXPENSES				
Medical claims and capitation expense	$ 409,567,239	$ 405,742,184	$ 411,593,266	$ 357,621,982
Claims administration services	11,127,397	13,711,789	15,104,342	14,432,722
Payroll and related benefits	3,118,821	3,365,166	3,605,582	3,291,979
Health management	1,371,409	2,663,620	4,518,668	4,218,895
Administration	668,081	910,734	1,204,354	1,159,062
Professional services	1,359,829	1,132,392	1,137,039	907,127
Employee Assistance Program	774,952	757,934	696,380	674,601
Depreciation	361,824	340,671	283,659	241,464
Total operating expenses	**$ 428,349,552**	$ 428,624,490	$ 438,143,290	$ 382,547,832
Operating revenues over (under) operating expenses	23,859,723	17,279,233	(87,935,501)	(33,279,896)
NONOPERATING REVENUES				
Investment and other income	$ 708,812	$ 1,104,898	$ 2,504,570	$ 7,099,139
Loss on disposal of furniture, fixtures and equipment	-	-	-	-
Other nonoperating expenses	-	-	-	-
Change in the net assets	24,568,535	18,384,131	(85,430,931)	(26,180,757)
Net assets, beginning of year	39,178,725	20,794,594	106,225,525	132,406,282
Net assets, end of year	**$ 63,747,260**	$ 39,178,725	$ 20,794,594	$ 106,225,525

2007	2006	2005	2004	2003	2002
$ 362,001,092	$ 319,465,109	$ 322,984,426	$ 281,657,137	$ 264,052,867	$ 222,987,803
93,152,562	84,069,097	79,112,936	84,756,549	84,372,737	75,701,524
9,121,094	8,989,197	12,455,591	18,201,930	26,378,699	37,630,463
5,678,206	5,539,208	5,306,796	5,169,299	-	-
4,472,408	2,565,239	-	-	-	-
$ 474,425,362	$ 420,627,850	$ 419,859,749	$ 389,784,915	$ 374,804,303	$ 336,319,790

$ 414,402,466	$ 376,750,654	$ 370,454,024	$ 357,845,282	$ 338,173,615	$ 331,099,846
17,604,641	16,857,025	13,464,612	9,077,987	5,869,772	3,108,745
4,123,871	3,887,880	3,920,693	3,785,291	3,753,395	3,697,765
5,749,101	2,839,300	-	-	-	-
1,473,496	1,421,837	1,369,681	1,579,075	1,866,567	1,616,841
816,500	1,004,715	633,549	416,113	417,463	626,456
881,723	874,492	868,345	873,428	912,175	889,080
277,519	229,351	195,375	259,864	281,314	280,172
$ 445,329,317	$ 403,865,254	$ 390,906,279	$ 373,837,040	$ 351,274,301	$ 341,318,905
29,096,045	16,762,596	28,953,470	15,947,875	23,530,002	(4,999,115)

$ 9,104,038	$ 5,928,270	$ 2,492,453	$ 765,034	$ 668,168	$ 968,329
-	-	-	(24,050)	-	(1,722)
-	-	-	1,220	(7,460)	-
38,200,083	22,690,866	31,445,923	16,690,079	24,190,710	(4,032,508)
94,206,199	71,515,333	40,069,410	23,379,331	(811,379)	3,221,129
$ 132,406,282	$ 94,206,199	$ 71,515,333	$ 40,069,410	$ 23,379,331	$ (811,379)

Schedule of Net Assets by Component

Fiscal years 2003-2011

NET ASSETS	• **2011**	2010	2009	2008
Investment in capital assets, net of related debt	$ 333,028	$ 418,325	$ 488,735	$ 447,943
Unrestricted	63,414,232	38,760,400	20,305,859	105,777,582
Total net assets	**$ 63,747,260**	$ 39,178,725	$ 20,794,594	$ 106,225,525

NET ASSETS	2007	2006	2005	2004	2003
Investment in capital assets, net of related debt	$ 400,575	$ 337,958	$ 371,501	$ 429,318	$ 589,457
Unrestricted	132,005,707	93,868,241	71,143,832	39,640,092	22,789,874
Total net assets	$ 132,406,282	$ 94,206,199	$ 71,515,333	$ 40,069,410	$ 23,379,331

Note: Due to reporting format changes prescribed by GASB Statement No. 34, only fiscal years 2003-2011 are presented.

Full Time Employees

Last ten fiscal years

DEPARTMENT	• **2011**	2010	2009	2008	2007	2006	2005	2004	2003	2002
Executive and Administration	4.76	4.46	3.61	3.85	4.00	4.00	4.50	5.00	5.68	6.50
Operations	47.79	52.8	58.98	57.07	58.06	59.65	62.42	63.57	63.49	63.85
General Counsel	1.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	0.98	0.80
Internal Audit	3.00	2.96	3.00	3.00	2.88	.004	-	-	-	-
Human Resources	0.82	1.48	2.00	2.00	1.62	2.00	2.00	1.67	2.00	2.00
Fiscal	6.00	6.00	6.00	6.00	5.60	6.00	6.00	6.88	6.96	7.00
Total	**64.12**	68.45	74.59	72.92	73.16	72.69	75.92	78.12	79.11	80.15

State Membership Enrolled in MCHCP

Subscribers & Dependents

SUMMARY

Average Age: 39.2 Years
Female: 57%
Male: 43%

Ten Years Ended June 30, 2011

	ACTIVE		COBRA		DISABLED		RETIREES		SURVIVORS		VESTED		
Age	Female	Male	F	M	F	M	F	M	F	M	F	M	**Total**
<1	414	460	-	1	-	1	1	1	-	-	-	1	879
1-10	5,472	5,812	8	7	1	2	20	10	4	-	2	1	11,339
11-19	6,460	6,762	9	8	11	5	96	106	13	18	3	7	13,498
20-24	3,313	3,210	2	1	8	8	152	168	11	14	2	4	6,893
25-29	2,481	1,753	6	4	1	2	17	26	1	2	1	1	4,295
30-34	2,985	1,719	3	1	4	1	2	6	-	1	2	-	4,724
35-39	3,229	1,971	9	2	6	4	5	4	-	1	3	2	5,236
40-44	3,809	2,299	7	4	9	3	11	6	1	1	8	5	6,163
45-49	4,498	2,784	10	3	27	13	31	14	-	3	10	6	7,399
50-54	4,694	3,029	8	4	45	16	431	139	12	4	34	11	8,427
55-59	3,830	2,835	13	6	41	14	1,508	758	20	6	27	9	9,067
60-64	2,262	1,949	18	12	19	11	2,521	1,482	51	17	6	14	8,362
65-69	431	567	1	-	2	2	2,029	1,325	59	20	-	2	4,438
70-74	92	128	-	-	1	1	1,701	1,062	100	36	1	1	3,123
75-79	22	34	-	-	-	-	1,206	757	119	31	-	-	2,169
80+	5	8	-	-	-	-	1,422	665	293	34	1	1	2,429
Subtotal	43,997	35,320	94	53	175	83	11,153	6,529	684	188	100	65	**98,441**
Total	**79,317**		**147**		**258**		**17,682**		**872**		**165**		**98,441**

Year	ACTIVE	COBRA	DISABLED	RETIREES	SURVIVORS	VESTED	**Total**
2011	**79,317**	**147**	**258**	**17,682**	**872**	**165**	**98,441**
2010	86,744	260	271	17,122	857	171	105,425
2009	88,277	189	351	16,802	852	210	106,681
2008	85,884	135	390	16,538	821	254	104,022
2007	84,585	189	424	16,154	820	267	102,439
2006	83,129	192	466	15,668	819	298	100,572
2005	86,459	185	515	15,351	800	296	103,606
2004	85,200	181	541	15,128	792	326	102,168
2003	88,123	249	676	13,392	765	336	103,541
2002	90,639	295	658	12,997	725	377	105,691

Public Entity Membership Enrolled in MCHCP

Subscribers & Dependents

SUMMARY

Average Age: 42 Years
Female: 59%
Male: 41%

Ten Years Ended June 30, 2011

	ACTIVE		COBRA		RETIREES		
Age	Female	Male	F	M	F	M	**Total**
< 1	2	3	-	-	-	-	5
1-10	35	33	1	-	-	-	69
11-19	49	52	-	2	-	-	103
20-24	35	45	-	-	-	-	80
25-29	43	44	-	-	-	-	87
30-34	54	52	-	-	-	-	106
35-39	68	35	1	1	-	-	105
40-44	64	40	-	1	-	-	105
45-49	105	55	-	-	-	-	160
50-54	110	59	-	-	-	-	169
55-59	119	66	-	1	2	1	189
60-64	92	56	4	1	2	2	157
65-69	17	13	-	-	-	1	31
70-74	8	5	-	-	2	2	17
75-79	1	5	-	-	1	-	7
80+	-	-	-	-	-	-	-
Subtotal	802	563	6	6	7	6	**1,390**
Total	**1,365**		**12**		**13**		**1,390**

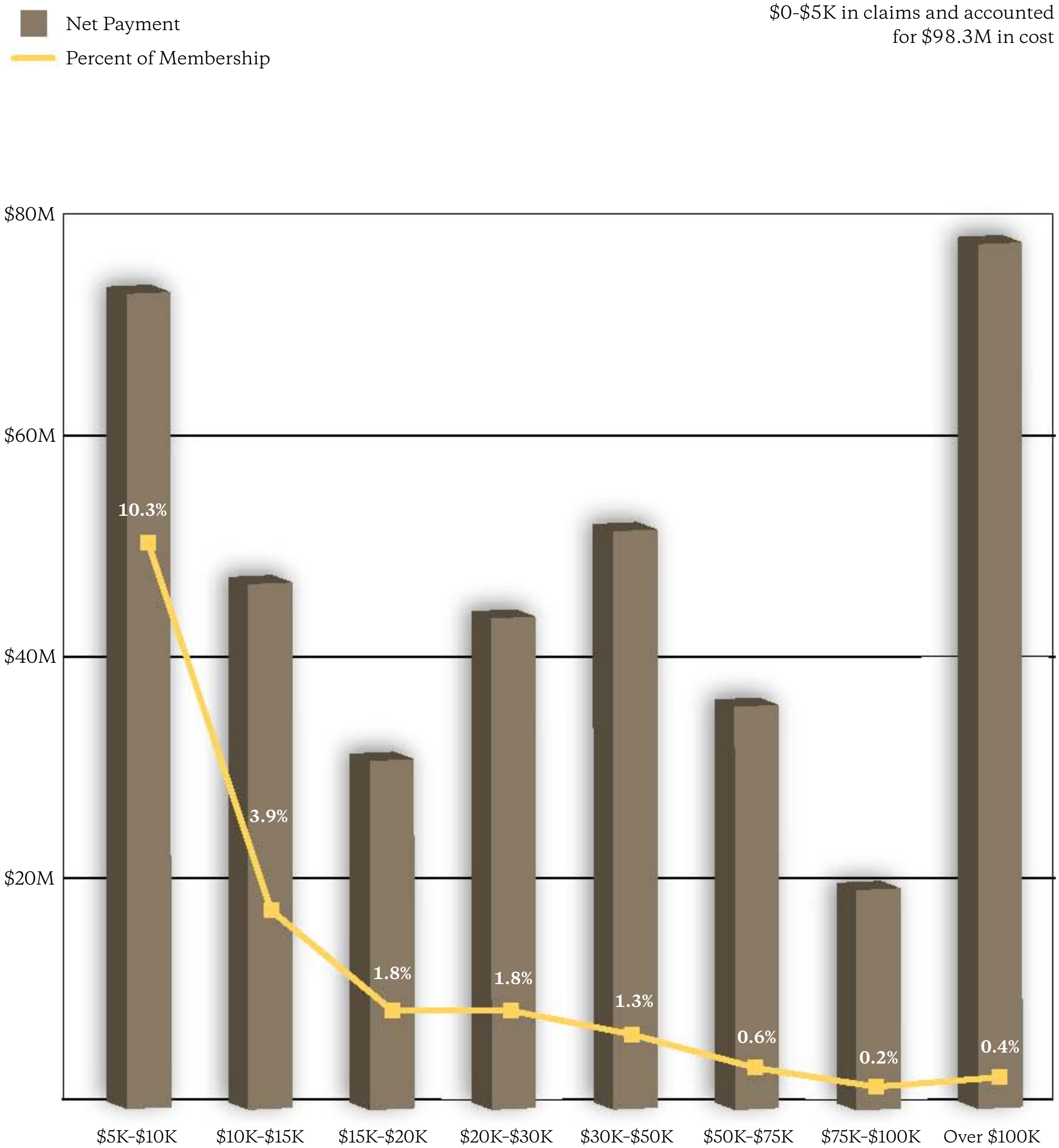
Year	ACTIVE	COBRA	RETIREES	**Total**
2011	**1,365**	**12**	**13**	**1,390**
2010	1,596	16	14	1,626
2009	1,590	16	7	1,613
2008	1,752	13	18	1,783
2007	1,851	18	11	1,880
2006	1,795	11	14	1,820
2005	1,654	5	24	1,683
2004	3,595	37	92	3,724
2003	4,900	47	112	5,069
2002	8,324	105	310	8,739

Paid Claims Distribution by Individual

State Members—Fiscal Year 2011

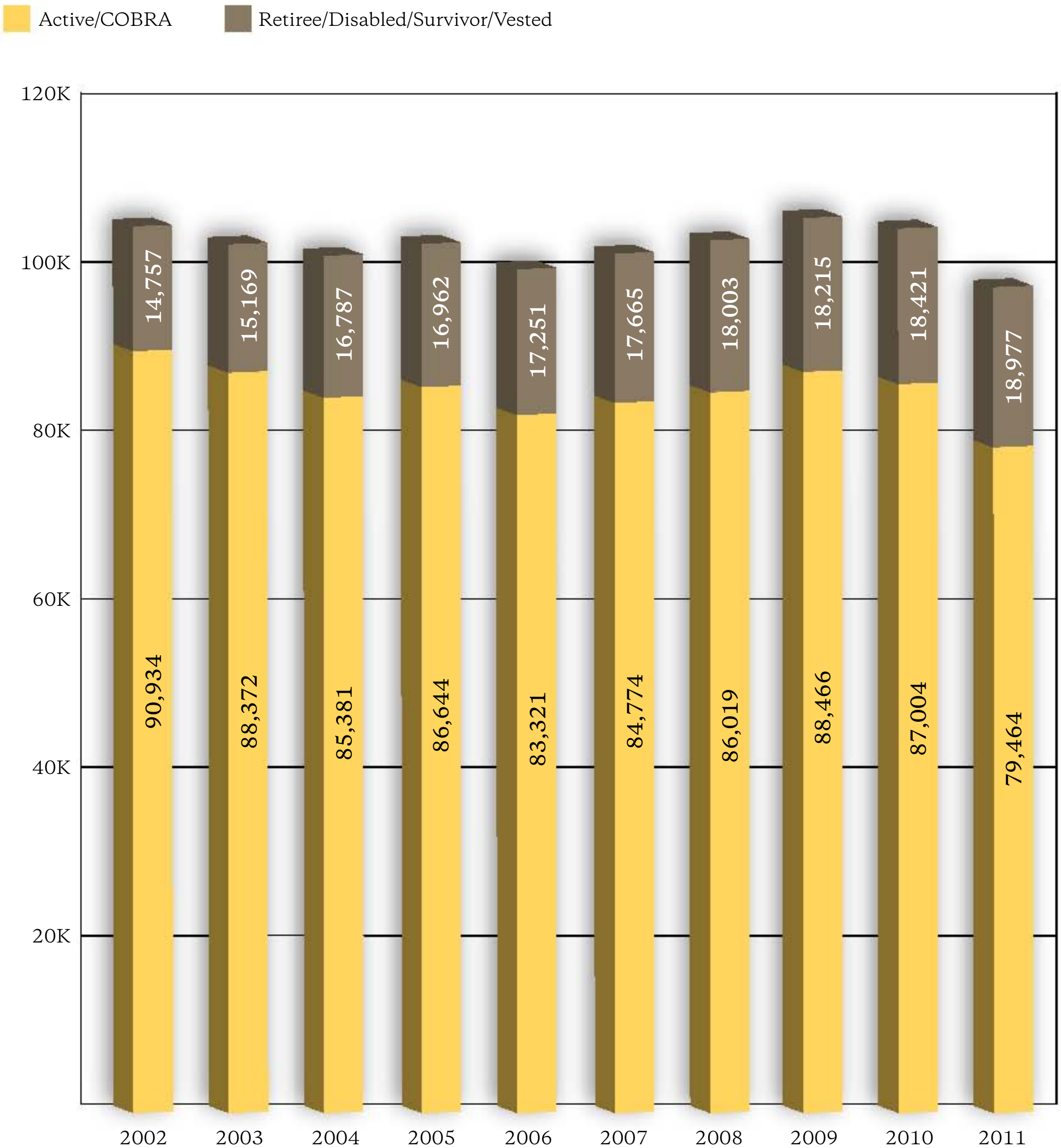
SUMMARY

79.6% of membership accumulated $0-$5K in claims and accounted for $98.3M in cost



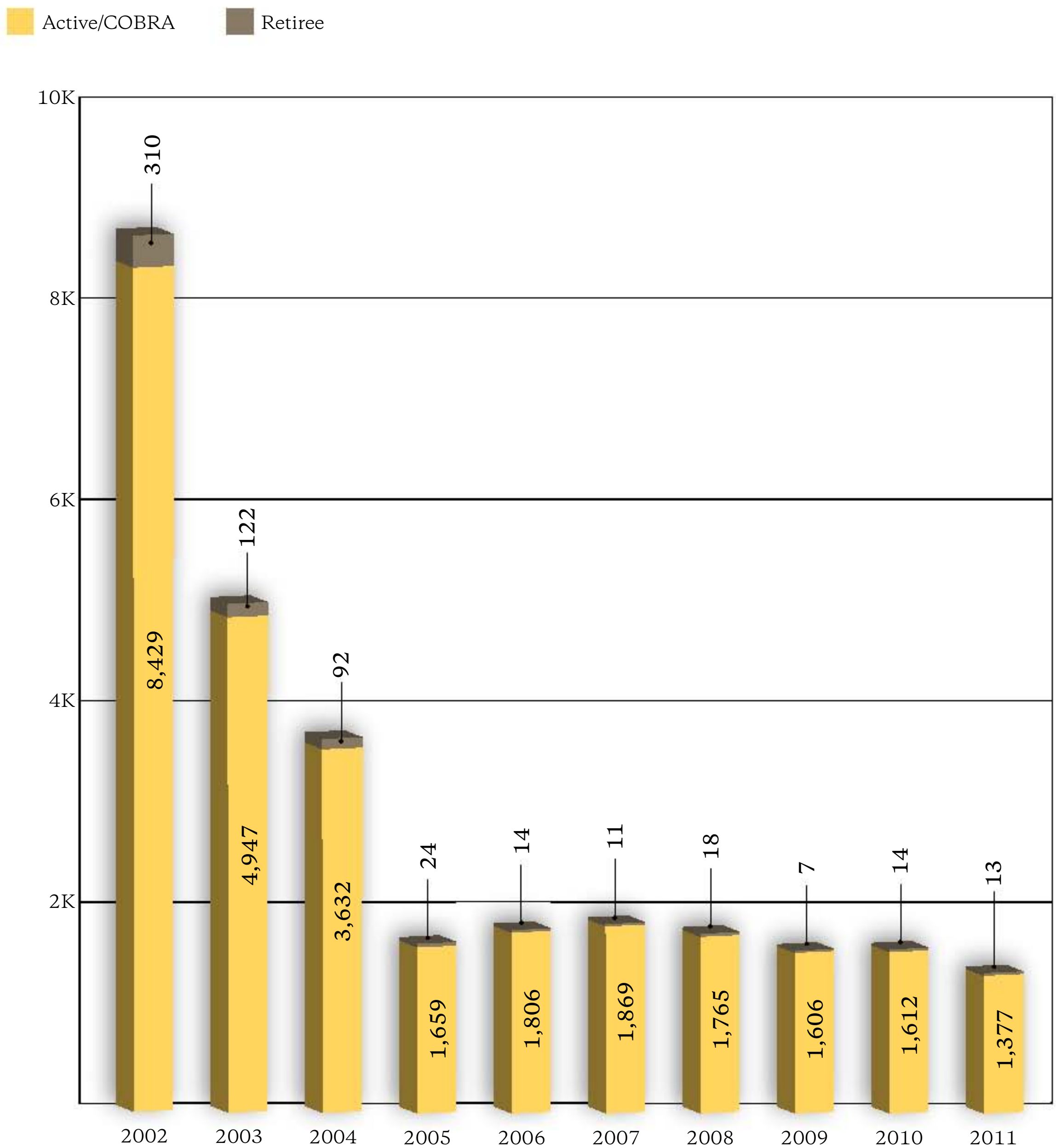
Enrollment Distribution

State Members 2002–2011



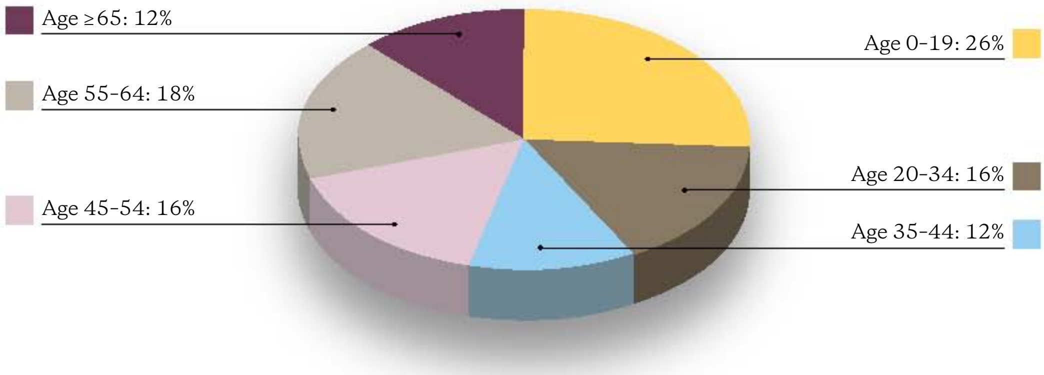
Enrollment Distribution

Public Entity Members 2002-2011



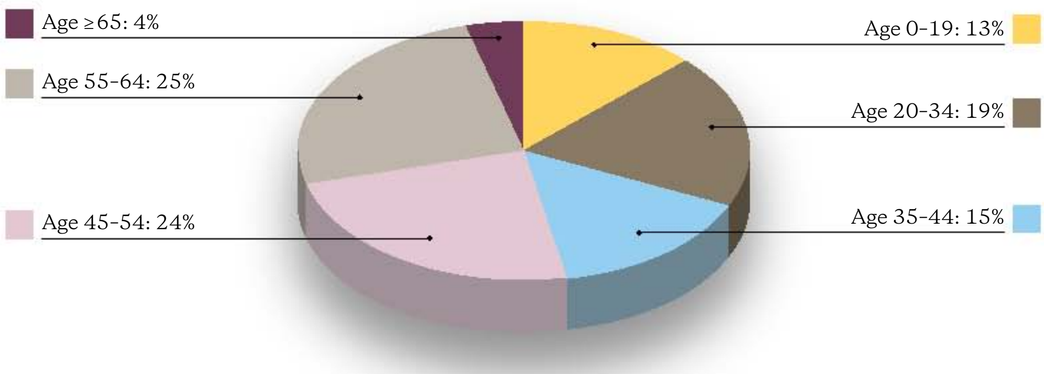
State Plan Demographics
Fiscal Year 2011

SUMMARY
Total Lives: 98,441
Female: 57%
Male: 43%



Public Entity Plan Demographics
Fiscal Year 2011

SUMMARY
Total Lives: 1,390
Female: 59%
Male: 41%



M·C·H·C·P

MISSOURI CONSOLIDATED
HEALTH CARE PLAN

832 Weathered Rock Court
PO Box 104355
Jefferson City, MO 65110

800-701-8881
www.mchcp.org

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832 Weathered Rock Court
PO Box 104355
Jefferson City, MO 65110